

Message Text

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INFO AMEMBASSY OTTAWA

ALL CONGENS (POUCH)

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SUBJECT: ENERGY SOURCES IN BRITISH COLUMBIA: COAL

REF: VANCOUVER 274 (NOTAL)

1. SUMMARY. BRITISH COLUMBIA'S COAL INDUSTRY IS TODAY ON THE THRESHOLD OF A NEW ERA OF DEMAND FOR ITS LARGE AND VALUABLE COKING AND THERMAL COAL RESOURCES. B.C. COAL PRODUCTION, WHICH MAY ATTAIN 9 MILLION TONS IN 1977, ACCOUNTS FOR ABOUT ONE-THIRD OF CANADA'S TOTAL AND IS THE SECOND MOST IMPORTANT MINERAL BEING CURRENTLY PRODUCED IN B.C. OVER 90 PERCENT IS EXPORTED, PREDOMINANTLY TO JAPAN, BUT EFFORTS TO ACHIEVE MARKET DIVERSIFICATION ARE BEGINNING TO PAY OFF. THE MASSIVE PEACE RIVER DEPOSITS IN B.C.'S NORTHEAST ARE PRESENTLY THE FOCUS OF NEW DEVELOPMENTAL INTEREST. INFRASTRUCTURE COSTS, HOWEVER, ARE ENORMOUS AND THE B.C. GOVERNMENT IS SEEKING SUBSTANTIAL FEDERAL ASSISTANCE. SUCH FINANCIAL AID APPEARS TO BE THE KEY TO A JAPANESE COMMITMENT TO CONTRACT FOR UP TO 10 MILLION TONS YEARLY OVER AND BEYOND THE APPROXIMATELY 7 MILLION TONS PRESENTLY PURCHASED FROM KAISER AND FORDING COAL.

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IN ADDITION TO THE EXPORT POTENTIAL, IT IS ANTICIPATED EASTERN CANADA, PARTICULARLY ONTARIO, WILL REQUIRE UP TO 8 MILLION TONS YEARLY OF B.C. COKING COAL BY 1995. THERMAL COAL DEMAND IS ALSO EXPECTED TO SOAR OVER THE NEXT 20 YEARS, PRIMARILY TO SATISFY B.C. HYDRO DEMANDS FOR THE GENERATION OF ELECTRICITY WITHIN B.C. ITSELF. WHILE THERE IS VIRTUALLY NO U.S.-B.C. TRADE IN COAL, BRITISH COLUMBIAN COAL IS LIKELY TO INCREASINGLY

COMPETE WITH U.S. COAL, ESPECIALLY IN THE JAPANESE MARKET. TO THE EXTENT B.C. MEETS A PORTION OF INCREASED CANADIAN DEMAND IN THE EAST, THE NEED FOR ADDITIONAL US. IMPORTS OVER PRESENT LEVELS WILL BE DIMINISHED. END SUMMARY.

2. REBIRTH OF AN INDUSTRY. HISTORICALLY, THE PATTERN OF THE DEVELOPMENT OF COAL AS AN ENERGY RAW MATERIAL IN BRITISH COLUMBIA PARALLELS THE EXPERIENCE ELSEWHERE ON THE NORTH AMERICAN CONTINENT AND IN INDUSTRIAL COUNTRIES WORLDWIDE. THE EARLIEST MINES WERE LOCATED ON VANCOUVER ISLAND IN THE MID-EIGHTEENTH CENTURY AND WERE DEVELOPED FOR THERMAL PURPOSES: SHIP BUNDERS AND RESIDENTIAL AND COMMERCIAL HEATING. BY THE TURN OF THE CENTURY, MINES WERE ALSO DEVELOPED IN B.C.'S EAST KOOTENAY DISTRICT (ADJACENT TO THE PRESENT BORDER WITH ALBERTA) TO MEET THE FUEL REQUIREMENTS OF WESTERN RAIL TRANSPORTATION. BY 1950, HOWEVER, DISCOVERIES OF MORE CONVENIENT, ABUNDANT AND INEXPENSIVE ALTERNATIVE FUELS - OIL AND NATURAL GAS-LED TO THE RAPID DEMISE OF COAL USAGE FOR TRANSPORT AND SPACE HEATING. AT THE SAME TIME, BRITISH COLUMBIA AND THE OTHER WESTERN PROVINCES HAD NO HEAVY INDUSTRY, SUCH AS STEEL-MAKING, REQUIRING A STEADY DEMAND FOR COAL AND EVEN B.C.'S ELECTRICAL POWER DEVELOPMENT WAS PREDICATED UPON AMPLE HYDRO POTENTIAL. IN THE CIRCUMSTANCES, THE B.C. COAL INDUSTRY CAME TO NEAR EXTINCTION BUT THEN THERE WAS THE EMERGENCE IN THE 1960'S OF A LARGE EXPORT MARKET FOR HIGH GRADE METALLURGICAL COAL IN JAPAN FOR THAT COUNTRY'S BURGEONING STEEL INDUSTRY. TODAY'S SPIRALING PRICES AND DEPLETING RESERVES OF OIL AND GAS WORLD-WIDE HAVE PLACED B.C. ON THE THRESHOLD OF A VASTLY EXPANDED POTENTIAL FOR ITS LARGE AND VALUABLE COAL RESOURCES. UNCLASSIFIED

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GROWING DEMAND, DOMESTIC AND EXPORT, IS ANTICIPATED FOR COKING COAL AND FOR THERMAL COAL FOR ELECTRIC POWER GENERATION AND, POSSIBLY, GASIFICATION. HEADY TALK IN B.C. THESE DAYS PREDICTS THAT COAL MAY EVENTUALLY REPLACE FORESTRY AS THE PROVINCE'S NUMBER ONE INDUSTRY. HAD THE INDUSTRY NOT SUFFERED A SEVERE STRIKE SITUATION A YEAR AGO, COAL WOULD PROBABLY HAVE REPLACED COPPER AS THE SINGLE MOST IMPORTANT MINERAL (VALUE BASIS) PRODUCED IN BRITISH COLUMBIA IN 1976.

3. RESOURCE BASE. ACCORDING TO A B.C. COAL TASK FORCE REPORT ISSUED IN 1976, BRITISH COLUMBIA HOLDS MORE THAN ONE-HALF (10.7 BILLION SHORT TONS) OF THE COMBINED MEASURED RESERVES AND INDICATED RESOURCES OF BITUMINOUS (COKING OR METALLURGICAL) COAL AND SLIGHTLY LESS THAN ONE-TENTH (1.1 BILLION SHORT TONS) OF THE MEASURED RESERVES OF SUB-BITUMINOUS AND LIGNITIC (THERMAL) COAL IN CANADA. B.C. RANKS FIRST OF ALL THE CANADIAN PROVINCES IN VOLUME OF COKING COAL AND THIRD, BEHIND ALBERTA AND SASKATCHEWAN, IN VOLUME OF THERMAL COAL. THE HARD COKING COALS, DISTINGUISHED BY A HIGH CARBON CONTENT AND LOW VOLATILITY, EXTEND

GEOGRAPHICALLY FROM THE SOUTHEAST OF THE PROVINCE INTO ALBERTA AND THEN BACK INTO B.C.'S NORTHEAST, IN A FAIRLY CONTINUOUS, EASTWARD BENDING CURVE. THE HIGHLY VOLATILE THERMAL COALS OF LOW CARBON CONTENT TEND TO OCCUR IN SCATTERED DEPOSITS THROUGHOUT B.C. OF THESE TWO COAL TYPES, THE COKING COALS ARE PRESENTLY THE MORE MARKETABLE, BEING HIGHLY VALUED FOR THEIR METALLURGICAL PROPERTIES. B.C. HAS, THEREFORE, THE POTENTIAL TO CONTINUE TO SERVE AS A MAJOR WORLD SUPPLY SOURCE OF METALLURGICAL COAL (THE TASK FORCE REPORT NOTES THAT B.C. CURRENTLY PROVIDES APPROXIMATELY 7 PERCENT OF THE COKING COAL TRADED IN THE "FREE WORLD").

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4. PRODUCTION. AS NOTED ABOVE, THE RAPID EXPANSION OF JAPAN'S STEEL INDUSTRY DURING THE 1960'S WAS THE MAJOR FACTOR IN SPURRING MODERN B.C. COAL EXPLORATION AND DEVELOPMENT. COAL PRODUCTION JUMPED FROM 850,000 TONS (8 PERCENT OF CANADA'S TOTAL PRODUCTION) IN 1965 TO 8,900,000 TONS (36 PERCENT OF THE CANADIAN TOTAL) IN 1975. (UNLESS OTHERWISE SPECIFIED, ALL TONNAGE FIGURES IN THIS REPORT ARE LONG TONS.) IN 1976, HOWEVER, PRODUCTION DROPPED ALMOST 16 PERCENT TO AN ESTIMATED 7,500,000 TONS AS A RESULT OF AN EXTENDED STRIKE AT THE ONLY TWO COMPANIES ACTIVELY INVOLVED IN THE MINING OF COKING COAL, KAISER RESOURCES AND FORDING COAL. BECAUSE OF PRICE INCREASES, HOWEVER, THE TOTAL VALUE OF PRODUCTION IN 1976 DECLINED TO ONLY DOLS 292 MILLION (8 PERCENT) AS COMPARED WITH DOLS 317 MILLION RECORDED IN 1975. THE 1976 VALUATION REPRESENTS 20 PERCENT OF THE ESTIMATED TOTAL OF DOLS 1.4 BILLION FOR ALL MINERAL PRODUCTION IN BRITISH

COLUMBIA FOR THAT YEAR. IF CURRENT ESTIMATES PROVE CORRECT, 1977 SHOULD SEE A LEVEL OF PRODUCTION EXCEEDING 9 MILLION TONS FOR THE FIRST TIME.

5. EXPORTS. OVER 90 PERCENT OF B.C.'S COAL PRODUCTION IS EXPORTED AND SHIPPED THROUGH THE PORT OF VANCOUVER. SHIPMENTS UNCLASSIFIED

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IN 1975 WERE APPROXIMATELY 8,200,000 TONS, DECLINING TO AN ESTIMATED 6,900,000 TONS IN 1976 DUE TO THE LABOR STRIKE AND LAST YEAR'S WEAKNESS IN WORLD COAL MARKETS. KAISER SHIPPED ABOUT 5,200,000 TONS IN 1975 AND 4,800,000 TONS IN 1976, WITH THE REMAINDER ACCOUNTED FOR BY FORDING. UNTIL 1976, VIRTUALLY ALL COAL EXPORTS WERE DESTINED FOR JAPAN. IN 1975, OF TOTAL COAL EXPORTS OF DOLS 334.7 MILLION, JAPAN ACCOUNTED FOR DOLS 325.8 MILLION OR, ON A VOLUME BASIS, APPROXIMATELY 14 PERCENT OF ITS METALLURGICAL COAL NEEDS. IN 1976, KAISER NEGOTIATED INCREASES IN CONTRACT TONNAGES WITH NEW CUSTOMERS ON THE PACIFIC RIM AND SHIPPED TRIAL CARGOES TO POTENTIAL LONG-TERM BUYERS IN ITS MARKET DIVERSIFICATION EFFORTS. SPECIFICALLY, IN 1976 KAISER SHIPPED APPROXIMATELY 4 MILLION TONS (AT DOLS 52.40 PER TON) OF METALLURGICAL COAL TO JAPANESE STEEL MILLS (DOWN FROM CONTRACT LEVELS OF 4.75 MILLION TONS PER YEAR DUE TO SOFT MARKET CONDITIONS), 330,000 TONS TO SOUTH KOREA, 74,000 METRIC TONS TO MEXICO, AND 37,000 METRIC TONS TO TWO STEEL MILLS IN BRAZIL. A SMALL TRIAL CARGO WAS ALSO SHIPPED TO ITALY. THE SALES CONTRACT WITH A SOUTH KOREAN STEEL COMPANY WAS INCREASED FROM A TOTAL TONNAGE OF 1.3 MILLION TONS TO 4.15 MILLION TONS TO BE DELIVERED BY 1985 AND THE MEXICAN CONTRACT WAS ALSO AMENDED TO INCREASE THE TONNAGE FROM 475,000 METRIC TONS TO 690,000 TONS FOR THE PERIOD ENDING MARCH 31, 1979.

6. PRODIG MINES. WHILE BRITISH COLUMBIA HAS HAD A MORATORIUM ON THE ISSUE OF NEW COAL EXPLORATION AND DEVELOPMENT LICENSES SINCE 1972 IN ORDER TO REEVALUATE THE ROLE OF COAL IN THE ECONOMY AND TO REASSESS THE ENVIRONMENTAL IMPACT, MANY EXISTING LICENSES (COVERING NEARLY 1,000 SQUARE MILES) ARE BEING ACTIVELY USED AND EXPLORATION EXPENDITURES TOTALLED DOLS 15 MILLION IN 1976, COMPARED TO DOLS 14 MILLION IN 1975. THE THREE COAL MINES PRESENTLY PRODUCING IN B.C. ARE ALL LOCATED IN THE SOUTHEAST KOOTENAY REGION. THE KAISER OPERATION IS THE LARGEST AND IS ENGAGED IN OPEN PIT AND UNDERGROUND HYDRAULIC MINING AT SPARWOOD, FROM WHERE PRODUCTION IS SHIPPED BY RAIL WESTWARDS UNCLASSIFIED

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TO THE ROBERTS BANK TERMINAL AT VANCOUVER. THE SECOND MINE (SURFACE) IS MAINTAINED BY FORDING (OWNED BY CANADIAN PACIFIC INVESTMENTS AND COMINCO) AT ELKFORD, 34 MILES NORTH OF SPARWOOD, AND ITS PRODUCTION SHARES ROBERTS BANK WITH KAISER. JUST SOUTH OF SPARWOOD, BYRON CREEK COLLIERIES LIMITED MINES THERMAL COAL BY OPEN PIT AT CORBIN CREEK. ITS PRODUCTION AMOUNTED TO ONLY 345,000 TONS IN 1975, BUT RECENTLY THE COMPANY SECURED CONTRACTS WITH ONTARIO HYDRO AND JAPAN WHICH ARE EXPECTED TO DOUBLE OUTPUT OVER THE NEXT SEVERAL YEARS.

7. POTENTIAL FOR GROWTH. THE GENERAL PROFITABILITY OF B.C.'S EXISTING MINING OPERATIONS AND PERCEIVED BUSINESS OPPORTUNITIES BOTH AT HOME AND ABROAD HAVE SPURRED A NUMBER OF NEW PROPOSALS, INCLUDING THE PROSPECTIVE RICH NORTHEAST COALFIELDS, WHICH ARE IN VARIOUS STAGES OF DEVELOPMENT, AS OUTLINED BELOW:

A. A JOINT VENTURE BY KAISER AND THE JAPANESE MITSUI AND MITSUBISHI FIRMS TO DEVELOP A NEW TWO-MILLION TON-A-YEAR UNDERGROUND HYDRAULIC METALLURGICAL MINE AT HOSMER-WHEELER (5 MILES FROM SPARWOOD) WAS JOINED IN JANUARY BY THE BRAZILIAN STEEL COMPANY, COMPANHIA VALE DO RIO DOCE (CVRD). UNDER THE AGREEMENT, KAISER WILL OWN 70 PERCENT, CVRD UP TO 10 PERCENT, AND THE JAPANESE INTERESTS THE REMAINDER. THE NEW MINE IS EXPECTED TO BE OPERATIONAL IN 1980, WITH CVRD INTENDING TO PURCHASE A MINIMUM OF 250,000 TONS PER YEAR, THE REST GOING TO JAPAN.

B. CROWS NEST INDUSTRIES (CNI) INTENDS TO DEVELOP ITS HOLDINGS IN THE LINE CREEK AND HORSESHOE RIDGE AREA, 10 MILES NORTH OF SPARWOOD. THE COAL (THERMAL AND METALLURGICAL) WOULD BE MINED USING SURFACE METHODS. FEASIBILITY STUDIES ARE NOW BEING CARRIED OUT BY CNI AND MITSUI. THE TOTAL VOLUME OF COAL CONSIDERED RECOVERABLE IS PUT AT 60 MILLION TONS, AND CNI WOULD EXPECT TO SHIP ONE MILLION TONS A YEAR TO JAPAN VIA ROBERTS BANK.

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INFO AMEMBASSY OTTAWA
ALL CONSULATES IN CANADA

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C. RIO ALGOM MINES LIMITED, THROUGH ITS SAGE CREEK SUBSIDIARY, HAS PROPOSED TO DEVELOP THE COAL CONTAINED IN TWO HILLS ON EITHER SIDE OF CABIN CREEK. OPEN PIT EXCAVATION COULD COMMENCE IN 1979 AND THE PROJECT IS ESTIMATED OVER ITS LIFE TO YIELD 132 MILLION TONS OF HIGH GRADE COKING COAL. UP TO THREE MILLION TONS OF COAL WOULD BE AVAILABLE FOR EXPORT YEARLY THROUGH ROBERTS BANK, ALTHOUGH RIO ALGOM HAS RECENTLY INDICATED THAT A PROPOSAL IS BEING CONSIDERED TO SCALE THE PROJECT DOWN TO 1.5 MILLION TONS ANNUALLY. THIS PROJECT HAS RECEIVED CONSIDERABLE ATTENTION IN BOTH THE U.S. AND CANADA BECAUSE OF THE POTENTIALLY SERIOUS ENVIRONMENTAL DEGRADATION OF THE FLATHEAD RIVER AND SURROUNDING AREAS ON BOTH SIDES OF THE BORDER AND IN THE GLACIER NATIONAL PARK AREA OF MONTANA IN PARTICULAR.

D. THE MASSIVE PEACE RIVER COALFIELDS, IN THE NORTHEAST OF B.C., ARE PRESENTLY THE MAIN FOCUS OF DEVELOPMENT INTEREST BY THE MINING INDUSTRY AND THE PROVINCIAL GOVERNMENT. THE VARIOUS PROPERTIES, WHICH HAVE ATTRACTED JAPANESE ATTENTION AS WELL AS THAT OF OIL COMPANIES, SUCH AS IMPERIAL AND B.P., ARE ESTIMATED TO HOLD SEVERAL BILLION TONS OF QUALITY COKING COAL AND EXISTING PROPOSALS ENVISAGE THE EXPORT OF TEN MILLION OR UNCLASSIFIED

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MORE TONS OF COAL YEARLY FROM A PROPOSED TERMINAL FACILITY AT PRINCE RUPERT. THE COST OF INFRA-STRUCTURE REQUIREMENTS, HOWEVER, IS ESTIMATED AT BETWEEN DOLS 600 AND DOLS 800 MILLION. JAPANESE INTERESTS, WHILE INDICATING THEIR INTENT TO PURCHASE 5 MILLION TONS OF THE OUTPUT PER YEAR, HAVE APPARENTLY CONDITIONED ANY INVOLVEMENT IN THE AREA UPON THE ASSURANCE THAT GOVERNMENTAL ASSISTANCE WILL BE FORTHCOMING IN THE INFRASTRUCTURE COSTS. THESE COSTS ARE CLEARLY BEYOND THE CAPACITY OF THE B.C. GOVERNMENT AND PREMIER BENNETT HAS BEEN VIGOROUSLY PRESSING THE FEDERAL GOVERNMENT FOR FINANCIAL AID. OTTAWA REPORTEDLY FEELS DEVELOPMENTAL COSTS ARE PROHIBITIVE UNLESS FIRM AGREEMENT CAN BE REACHED WITH THE JAPANESE TO PURCHASE A MINIMUM OF TEN MILLION TONS ANNUALLY, A COMMITMENT THE JAPANESE SEEM UNREADY TO MAKE. PREMIER BENNETT HAS ATTENDED CLOSED-DOOR CONFERENCES WITH PRIME MINISTER TRUDEAU AND OTHER GOC OFFICIALS IN OTTAWA TO OVERCOME THE SEEMING IMPASSE AND HAS INDICATED SOME PROGRESS HAS BEEN REALIZED, ALTHOUGH NO DETAILS HAVE BEEN FORTHCOMING. OPPOSITION TO THE PROPOSED NORTHEAST DEVELOPMENT COMES FROM BOTH THE PROVINCIAL NEW DEMOCRATIC AND LIBERAL PARTIES WHICH CLAIM THAT THE COAL EXTRACTION WOULD NOT BE AN ECONOMIC PROPOS-

TION AT THE PRESENT AVERAGE OF DOLS 55 PER TON WHICH THE JAPANESE ARE NOW PAYING FOR B.C. COAL. THE SOCIAL CREDIT GOVERNMENT COUNTERS THAT THE COAL IS OF SUCH EXCEPTIONAL QUALITY THAT THE PRICE COULD BE RAISED TO BETWEEN DOLS 65 AND DOLS 75 PER TON. THE OPPOSITION ALSO CONTENDS THAT A MAJOR INITIAL CONSIDERATION FAVORABLE TO THE NORTHEAST COAL DEVELOPMENT HAD BEEN THE ASSUMPTION THAT SUBSTANTIAL AMOUNTS OF COAL WOULD BE NEEDED FOR A B.C. STEEL MILL. HOWEVER, THE JAPANESE FIRM WHICH WAS TO HAVE ESTABLISHED THIS MILL BACKED OUT OF THE PROJECT LAST FALL, CITING A BLEAK WORLD DEMAND OUTLOOK AND HIGH B.C. PRODUCTION COSTS. ADDITIONAL OPPOSITION, ALTHOUGH NOT YET HIGHLY VOCAL, CAN BE EXPECTED FROM THE ENVIRONMENTAL ORGANIZATIONS SUCH AS THE B.C. WILDLIFE FEDERATION, WHICH ARGUE THAT ECOLOGICAL DAMAGE INEVITABLY ACCOMPANIES COAL DEVELOPMENT.

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IM THERMAL COAL. THE DEMAND FOR THERMAL COAL IN BRITISH COLUMBIA HAS BEEN VERY LIMITED TO DATE AND CONFINED PRIMARILY TO PROVINCIAL INDUSTRIAL STEAM AND ELECTRICITY GENERATION USES BY CEMENT PLANTS AND PULP AND PAPER FACILITIES. IN 1975, THIS DEMAND WAS ESTIMATED AT LESS THAN 600,000 TONS AND WAS SATISFIED BY THE BYRON COLLIERIES AND KAISER. WHILE THERE IS NO INDICATION THAT B.C. WILL PROVE TO BE A MAJOR SOURCE OF SUPPLY OF THERMAL COAL EITHER TO OTHER CANADIAN PROVINCES OR TO FOREIGN MARKETS, RAPIDLY INCREASING AMOUNTS ARE FORECASTED TO BE REQUIRED WITHIN BRITISH COLUMBIA FOR THE GENERATION OF ELECTRIC POWER BY B.C. HYDRO AS A RESULT OF CONTINUED HIGH ELECTRIC LOAD GROWTH DEMAND PROJECTIONS AND LESSENED AVAILABILITY OF ECONOMICALLY FEASIBLE HYDRO-GENERATION SITES. THE PRINCIPAL SOURCE FOR SATISFYING B.C. HYDRO DEMAND WOULD BE THE HAT CREEK DEPOSIT NEAR ASHCROFT WHICH CONTAINS INDICATED AND MEASURED RESERVES OF OVER TWO BILLION TONS. WHILE B.C. HYDRO HOLDS RIGHTS TO ONLY 500 MILLION TONS OF THE TOTAL DEPOSIT, THE REMAINING 1,500 MILLION TONS ARE HOLD IN CROWN RESERVE AND COULD EASILY BE MADE AVAILABLE. THE PLANNED THERMAL ELECTRIC INSTALLATION WOULD CONSIST OF FOUR 500 MEGAWATT POWER UNITS WHICH WOULD CONSUME OVER 40,000 TONS OBTAINED FROM AN OPEN

PIT STRIP MINE.

9. OUTLOOK. BASED ON THE ASSUMPTION-ADMITTEDLY ON A MINIMUM OF GEOLOGICAL KNOWLEDGE-THAT BRITISH COLUMBIA COAL RESERVES ARE MORE THAN ADEQUATE FOR WELL INTO THE NEXT CENTURY, THE COAL TASK FORCE FORECASTS POTENTIAL YEARLY DEMAND BY 1995 FOR METALLURGICAL COAL AT OVER 30 MILLION TONS AND FOR THERMAL COAL AT NEARLY 75 MILLION TONS. JAPAN, WITH AN EXPECTED CONTINUED GROWTH IN ITS STEEL INDUSTRY, WILL REMAIN B.C.'S SINGLE MOST IMPORTANT EXPORT MARKET, ALTHOUGH DIVERSIFICATION TO SUCH MARKETS AS BRAZIL AND MEXICO WILL BE ENCOURAGED. HOWEVER, IT IS ALSO ANTICIPATED THAT

B.C. WILL BE SUPPLYING ABOUT 40 PERCENT (8 MILLION TONS) OF
CANADIAN DOMESTIC DEMAND FOR METALLURGICAL COAL BY THAT DATE,
WITH EXPORTS TO ONTARIO ALONE AMOUNTING TO 4.5 MILLION TONS.
WITH REGARD TO THERMAL COAL, GROWING DEMANDS IN CANADA AND IN
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B.C. IN PARTICULAR WILL PRESCLUDE THE DEVELOPMENT OF ANY
SIGNIFICANT FOREIGN MARKETS OR MAJOR SUPPLY COMMITMENTS TO

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TO SECSTATE WASHDC 3451
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ALL CANADIAN CONSULATES

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PROVINCIAL MARKETS OTHER THAN LIMITED SUPPLIES TO ONTARIO HYDRO
OF PERHAPS ONE MILLION TONS PER YEAR. THE VAST BULK OF B.C.
THERMAL COAL WILL BE REQUIRED BY B.C. HYDRO. MAJOR CONSTRAINTS
ON THE DEMAND FORECASTS TO 1995 ARE MINE DEVELOPMENT AND INFRA-
STRUCTURE COSTS, MANPOWER AND TRANSPORTATION.

10. U.S. INTEREST. WHILE THE UNITED STATES IS A MAJOR COAL SUPPLIER
TO CANADA, THERE IS VIRTUALLY NO TRADE IN THIS RESOURCE WITH
BRITISH COLUMBIA WHICH HAS BECOME, ALONG WITH AUSTRALIA, AN
IMPORTANT COMPETITOR OF THE U.S. IN INTERNATIONAL TRADE IN
COKING COAL. FOR GEOGRAPHICAL AND TRANSPORT REASONS, AND GIVEN
THE NEW EMPHASIS TO BE ACCORDED COAL IN THE U.S. IN RESPONSE TO
THE ENERGY CRISIS, IT IS EXPECTED THAT B.C. AND AUSTRALIA WILL
INCREASINGLY BECOME THE SOURCES OF JAPANESE COAL REQUIREMENTS.

SIMILARLY, B.C. IS EXPECTED WITHIN THE CANADIAN DOMESTIC REQUIREMENTS CONTEXT TO PICK UP A MAJOR PORTION OF THE INCREMENTAL METALLURGICAL COAL DEMAND FORECAST FOR EASTERN CANADA AND ONTARIO IN PARTICULAR. IF REALIZED, THIS DEVELOPMENT COULD RELIEVE PRESSURES IN ONTARIO FOR ADDITIONAL SUPPLIES OF COKING COAL OVER AND BEYOND THE PRESENT 7 MILLION TONS PER YEAR FROM THE U.S.

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Message Attributes

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